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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF NATIONAL ESTIMATES

29 July 1959

STAFF MEMORANDUM NO. 31-59

SUBJECT: The Present Situation in Nepal

1. In the last decade the remote Himalayan state of Nepal has made two major strides toward taking its place in the twentieth century: (1) After centuries of autocratic rule, political parties and popular leaders have begun to play an important role in the government; (2) at the same time Nepal has shown increasing interest in expanding its contact with the outside world (which prior to 1955, when Nepal joined the UN, were mainly through India) and in asserting itself as a sovereign nation. Both these developments have made Nepal a focus of increasing competition among those powers interested in expanding their influence in Asia. This memorandum has been prepared to provide background for Board consideration of the attached terms of reference for the scheduled NIE on Nepal, Bhutan and Sikkim.

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2. Nepali politicians had been demanding national elections under a permanent democratic constitution as promised by the King, since soon after the Indian-supported overthrow in 1950-51 of the 100 year-old Rana regime of hereditary prime ministers. Lack of political stability during a succession of interim governments chosen by the King caused repeated postponements of elections, and finally led King Mahendra to institute a period of direct rule. On 1 February 1958 Mahendra issued a proclamation calling for establishment of an advisory interim government, drafting of a permanent constitution, and the holding of general elections in early 1959 and the elections took place between late February and early April.

3. The elections produced a Parliament with a two-thirds Nepali Congress Party majority -- much stronger than anticipated -- and B. P. Koirala, the party chief, became Prime Minister as well as Defense and Foreign Minister. The results were not entirely to the satisfaction of the King, for although he retains ultimate power, he and Koirala are already at odds on some foreign policy matters. Nehru's recent trip to Nepal seems to have improved relations between the King and Nehru; and may serve to bring the more pro-Indian (and pro-West) Koirala and the King closer together.

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4. Despite several party splits since 1951, the Nepali Congress is still the best organized and largest party in Nepal. The party has continually pressed for land reform, popular suffrage, and the restoration of the powers of the Supreme Court. In foreign affairs it advocates a neutralist position similar to Nehru's Congress Party. The Party is capable, as are all other Nepali parties, of appealing to substantial anti-Indian sentiment, and even of echoing the Communist line if that will suit its objectives. However, indications are that B. P. Koirala is approaching the tremendous task he faces with determination and practical political sense. He considers himself a Socialist. Although he has been motivated mainly by political opportunism in the past, he now expresses firm belief in democratic institutions and opposition to Communism. The Embassy in India believes the US should be able to work closely with Koirala who is receptive to US views.

5. None of the other parties in Nepal is as well organized as the Nepali Congress Party. However, every element in the political spectrum is to be found in the numerous parties, splinter groups and factions that exist in Nepal. On the extreme left is a small Communist Party, seeking primarily to form a united front with some of the other left wing parties. Its main influence is confined to the

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Katmandu Valley and certain areas along the southeast border with India. On the other end of the spectrum is the Gurkha Parishad, a vehicle for the reactionary Ranas, which is now the largest opposition party in the new parliament. This party has endorsed moderate reforms, while attacking India, the Communists, and, to a lesser degree, the West. Its main strength (and main importance as a factor in the Nepalese political scene) lies in the hill country outside the Katmandu Valley.

6. During the period of internal turmoil Nepal was beginning to try to speak for itself in international affairs. At first Nehru, presumably in accordance with his enlightened interpretation of the responsibilities of a large protector nation to its smaller ward, supported this goal of Nepal. Indeed it was India which sponsored Nepal's entry into the UN; it was India which urged Nepal to establish diplomatic relations with Red China, and to remove the sources of irritation between Nepal and Communist China by revision of the hundred year old treaty which governed Nepal's close relations with Tibet.

7. At the same time India has always been keenly aware that the security of Nepal is vital to the protection of its won interests. Thus as Nepal has become increasingly the scene of competition among

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great powers, Nehru has taken steps to protect India's "special" position there. India has poured a total of \$41 million dollars in economic and technical aid into the country; an Indian military mission assumed responsibility for training of the Nepali army; and a token number of Indian police units remain at key points on the Tibet border.

8. Nepal and Communist China signed a treaty in 1956, although it was not formally ratified by Nepal until January 1958. China also agreed in 1956 to provide Nepal with 12.5 million dollars in grant aid, one-third in cash. This treaty also established China's right to open several trade agencies with diplomatic immunity and a Consulate-General in Katmandu. In addition to the Chinese aid, Nepal will soon start receiving some Soviet aid. This newest program is the result of a trip to the USSR by King Mahendra early in the summer of 1958.

9. Most of the Soviet aid will probably be for specific projects. Promised as a personal gift to the King is a 50 bed hospital -- the construction of which is to be supervised by Russian technicians. (This will mark the first time that Bloc technicians have been permitted inside Nepal.) Also promised, and delivered was a personal

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plane for the King -- which the Soviets apparently intended to use to extend their influence over a proposed civil airlines. However, as a result of Indian and US pressure the Nepalese have decided to accept US aircraft instead of the Russian. The Soviets plan to give as a grant a sugar factory, a cigarette factory, a hydro electric plant, and possibly a road survey.

10. The decision to let the Russians open a resident Embassy has become one of the early seeds of discord between the King and his new government. B. P. Koirala is reportedly displeased by the King's action in committing Nepal to this course of action, prior to the new government's taking office. This concession has hastened the Chinese to press the Nepalese government for permission to open a full scale Embassy also, although to date they have not opened the Consulate General granted them under the 1956 treaty. Koirala reportedly assured Nehru that he would attempt to obstruct these developments, and to limit the Chinese Communists to the Consulate General originally agreed upon. The US will open an Embassy in Nepal on 1 August.

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